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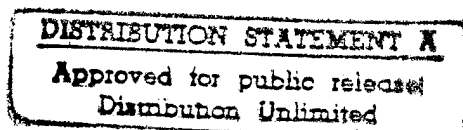
TITLE

Use of Private Sector Temporaries

AUTHOR

Joel A. Cohen

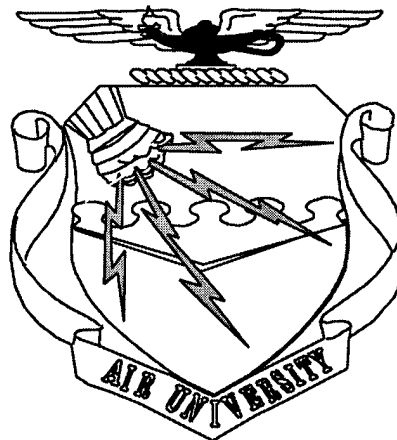
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## **PMCS IDEA PAPER**

**TITLE:** Use of Private Sector Temporaries

**PMCS Class:** 95-C

**AUTHOR:** Mr. Joel A. Cohen

**RANK:** GS-13

**SERVICE:** Defense Finance and Accounting Service

**DUTY ADDRESS:** DAO-DE Langley/LNF  
45 Nealy Ave Ste 110  
Langley AFB VA 23665-2099

**DSN:** 574-3887

### **EXECUTIVE SUMMARY**

The consolidation of accounting functions into Operating Locations (OPLOCS) has caused a drastic reduction of personnel at the Langley Defense Accounting Office (DAO). Term employees realize their employment with the DAO will expire when the Langley workload moves to Limestone, ME, thus causing the reduction in personnel. My solution to this problem is to authorize and fund the use of private sector temporaries to perform the workload that was formerly performed by civil service employees. I will explain what a temporary service firm is, how temporary services can be contracted, discuss cost factors, and describe the benefits Defense Finance and Accounting Service will receive by using private sector temporaries.

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## INTRODUCTION

The Defense Finance and Accounting Service (DFAS) is going through a dramatic restructuring process. Accounting work that is currently being performed at the Langley Defense Accounting Office (DAO) will be consolidated into the Limestone Operating Location (OPLOC) approximately by 1 June 96. The consolidation effort has caused a drastic reduction of personnel at the Langley DAO due to the following reasons:

1. Term employees are finding other jobs since they realize their employment will terminate in one year and that they will not be offered a job elsewhere. All term employees (26 terms or 56% of the civilian work force) currently employed at the Langley DAO are actively seeking other employment.

2. Since the Langley DAO is located within the commuting distance of an OPLOC, permanent employees will be offered a job working for the Navy at the Norfolk OPLOC. Several permanent employees have resigned and others are actively seeking employment because they do not want to work at Norfolk.

3. Military employees are receiving assignments that will require them to leave the Langley DAO prior to the workload going to Limestone. No in bound military gains are projected since virtually all assignments are being made to staff up the OPLOCs not the DAOs.

By June 1995, the Langley DAO projected overall staffing will be 83%. This figure takes into account only known losses and could be significantly lower if other employees are successful in finding another job. Long time experienced people are walking out the door and taking a wealth of knowledge with them. The problem is compounded by the hiring freeze imposed by the

DFAS Denver Center (DFAS-DE). The logic behind the hiring freeze is to reduce end strength numbers and to reduce the number of people DFAS-DE has to place in another job when DAO workload is transferred. Therefore, as employees leave the Langley DAO, no new people are being hired to fill the vacancies. This situation has caused the Langley DAO to experience a drastic increase in overtime hours worked and employee morale has suffered due to individuals having to pick up the additional workload that remained after the vacancies occurred. Losing additional people as time passes will have a detrimental effect on the quality and quantity of products generated. This is a major concern at the Langley DAO. The accuracy and timeliness of the accounting functions performed will be critical in preparation for transferring workload to Limestone. The accuracy of Langleys' database will contribute to the success of the Limestone OPLOC. The work force situation at the Langley DAO will directly effect this outcome. The problem must be addressed and solved quickly. My recommendation is to authorize and fund the use of private sector temporaries to perform the workload that was formerly performed by civil service employees. This paper will explain what a temporary service firm is, how temporary services can be contracted, discuss cost factors, and describe the benefits DFAS will receive by using private sector temporaries.

## **DISCUSSION**

A temporary help service firm is a private sector entity that quickly provides other organizations with specific services performed by its pool of employees, possessing the appropriate work skills. The firm is the legally responsible employer and maintains that relationship during the time its employees are assigned to a client. The firm, not the client

organization, recruits, tests, hires, trains, assigns, pays, provides benefits and leave to, and as necessary, addresses performance problems, disciplines, and terminates its employees. Among other employer obligations, the firm is responsible for payroll deductions and payments of income taxes, social security (FICA), unemployment insurance, and workers' compensation, and shall provide required liability insurance and bonding (1:95).

The temporary help service firm is specially trained to recruit and select applicants who fit the predetermined criteria of the Langley DAO. They conduct step-by-step evaluations that accurately assess applicant skills, abilities, and attitudes. Specialized application forms are used with detailed checklists appropriate to the applicants work experience and abilities. A multi-step interview process and customized testing are used to elicit all relevant information and skill level of the applicant. Prior to referring a list of candidates for selection, a thorough background check is performed verifying educational background, employment references, and applicant performance. The results of all tests, interviews, and background checks are submitted to the hiring government organization containing the top 3 to 5 candidates as determined by the temporary service firm. The hiring official can select based on this documentation alone, personally interview the applicants, or ask for additional applicants if none of the original candidates appear to meet the needs of the organization (2:1).

The temporary help service firm typically will perform the following functions (2:2):

- Hires and terminates assignment employees
- Arranges employee work schedules
- Sets employee pay rates



- Establishes employee benefits, including bonuses, incentives, and holiday and vacation pay
- Withholds employee taxes and unemployment insurance
- Completes all government paperwork including I-9, tax information, and other laws which may apply
- Maintains workers' compensation for its employees
- Handles employee reference and background checks
- Recruits, evaluates, screens, trains, and monitors its employees
- Custom matches the appropriate employee to the assignment
- Communicates regularly with its employees and seeks to resolve any personnel problems
- Bonds its employees
- Maintains all personnel records for its employees
- Protects against willful or negligent acts while the employees are on assignment

The Office of Personnel Management (OPM) allows government agencies to enter into a contract or other procurement arrangement with a temporary help service firm for the brief or intermittent use of the skills of private sector temporaries, when required. The Langley DAO meets the OPM requirement that must exist prior to contracting for temporary services that states an agency must carry out work for a temporary period (Langley DAO work will consolidate to the OPLOC in one year) that cannot be delayed in the judgment of the agency because of a critical need (1:96).

Contracting regulations allow a contracting officer to enter into contracts with temporary help service firms for the brief or intermittent use of the skills of private sector temporaries (3:37). The contracting officer can enter into a "service contract" that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. A service contract may be either a nonpersonal or personal contract. It can also cover services performed by either professional or nonprofessional personnel whether on an individual or organization basis. A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel. The Government is normally required to obtain its employees by direct hire under competitive appointment or other procedures required by the civil service laws. Obtaining personal services by contract (when all the requirements are met), rather than by direct hire, is a legal way of circumventing those laws (4:37). Two waivers will have to be obtained by DFAS from OPM due to the following:

1. No one employee of a temporary help firm may work at an agency within its local commuting area for more than 45 work-days in a 6-month period. Provided it can show that termination would cause significant delay, an agency may request OPM to authorize the extension of the same individual for a specified period.

2. An agency's use of private sector temporaries shall not exceed an overall duration of 120 calendar days in any one individual situation. OPM may extend that time limit, for a period not to exceed 120 calendar days, in the interest of good administration in circumstances it determines to be appropriate (1:97).

Obtaining these waivers from OPM should not be a problem if sufficient documentation is provided by DFAS explaining the logic behind using temporary services.

## **CONCLUSION**

The average hourly wages of the vacant positions at the Langley DAO is \$19.56 per hour, based on salary and benefits of a GS-06 (5:31). According to estimates provided by Olsten Staffing Services it will cost the government \$10.90 per hour to hire private sector temporaries. This recommendation is a win-win situation for everyone. As you can see, the government will actually save money. DFAS will not increase end strength by using temporaries and will be assured of an accurate database when transferred to the Limestone OPLOC. The Langley DAO will experience an increase in morale, lower overtime costs, and be able to continue producing high quality and timely accounting data.

## **RECOMMENDATIONS**

The following actions need to be taken prior to implementation:

1. DFAS-DE needs to approve the uses of private sector temporaries
2. DFAS-DE needs to obtain the two previously mentioned waivers from OPM
3. DFAS-DE will have to develop guidance and procedures that DAO's can follow in obtaining private sector temporaries
4. DFAS-DE should develop a standard statement of works for various tasks within the DAO that can be used by contracting for vendor selection.

## **BIBLIOGRAPHY**

1. Title 5 - Code of Federal Regulations, Chapter I, Part 300
2. Olsten Staffing Services "Service Brochure", pp. 1-10
3. Federal Acquisition Circular (FAC) 90-16, part 37
4. Federal Acquisition Circular (FAC) 84-60, part 37
5. Air Force Instruction (AFI) 65-503, Attachment 31